

# UNITED STATES SECURITIES AND EXCHANGE COMMISSION Washington, D.C. 20549

#### ANNUAL AUDITED REPORT FORM X-17A-5 PART III

OMB APPROVAL
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SEC FILE NUMBER

8- 42051

#### **FACING PAGE**

Information Required of Brokers and Dealers Pursuant to Section 17 of the Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

REPORT FOR THE PERIOD BEGINNING	01/01/07	AND ENDING	12/31/07
	MM/DD/YY		MM/DD/YY
A. REGI	STRANT IDENTIFIC	ATION	
NAME OF BROKER-DEALER:			OFFICIAL USE ONLY
LIBERTY CAPITAL INVESTMENT CO		ox No.)	FIRM I.D. NO.
1800 SW 1st Avenue Suite #150			
	(No. and Street)		
Portland	OR		97201-5333
(City)	(State)		(Zip Code)
NAME AND TELEPHONE NUMBER OF PER Gary F. Purpura, President	SON TO CONTACT IN R	EGARD TO THIS R	eport 503-225-9393
			(Area Code - Telephone Number)
B. ACCO	UNTANT IDENTIFIC	CATION	
Beemer, Smith, Munro & Co., LLP	ose opinion is contained in	· 	
10135 SE Sunnyside Road, Suite 14	0 Clackamas	OR	97015-5732
(Address)	(City)	(State)	(Zip Code)
CHECK ONE:	PROC	CFC CU	<b>∕\$£8</b> ∖
☑ Certified Public Accountant	MAR 1	8 2008	Mail President
☐ Public Accountant		MSON 7	Seenen
☐ Accountant not resident in United			FEB 29 2008
F	OR OFFICIAL USE O	NLY	Washington, DC
			103

\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

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SEC 1410 (06-02)



#### OATH OR AFFIRMATION

I, Gary F. Purpura, President	, swear (or affirm) that, to the best of
my knowledge and belief the accompanying financial a Liberty Capital Investment Corporation	statement and supporting schedules pertaining to the firm of, as
of December 31	_, 2007, are true and correct. I further swear (or affirm) that
	ipal officer or director has any proprietary interest in any account
OFFICIAL SEAL	
NOTARY PUBLIC-OREGON COMMISSION NO 392877	Signature
MY COMMISSION EXPIRES JULY 1, 2009	President
Notary Public	Title
This report ** contains (check all applicable boxes):	
(a) Facing Page. (b) Statement of Financial Condition.	
(c) Statement of Income (Loss).	
(d) Statement of Changes in Financial Condition.	
(e) Statement of Changes in Stockholders' Equity	
☐ (f) Statement of Changes in Liabilities Subordina ☐ (g) Computation of Net Capital.	ted to Claims of Creditors.
(h) Computation for Determination of Reserve Re	quirements Pursuant to Rule 15c3-3.
(i) Information Relating to the Possession or Con	
	ation of the Computation of Net Capital Under Rule 15c3-1 and the
	Requirements Under Exhibit A of Rule 15c3-3.
(k) A Reconciliation between the audited and una consolidation.	udited Statements of Financial Condition with respect to methods of
(I) An Oath or Affirmation.	
(m) A copy of the SIPC Supplemental Report.	
(n) A report describing any material inadequacies f	ound to exist or found to have existed since the date of the previous audit.

<sup>\*\*</sup>For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

# Liberty Capital Investment Corporation FINANCIAL STATEMENTS December 31, 2007

	<u>Page</u>
Financial Statements	
Independent Auditors' Report	1
Form X-17A-5	2
Statement of Financial Condition	4
Statement of Income (Loss)	6
Statement of Changes in Ownership Equity	7
Statement of Cash Flows	8
Notes to Financial Statements	9
Supplemental Information	
Computation of Net Capital Under Rule 15c3-1	15
Computation of Basic Net Capital Requirement	16
Exemptive Provision Under Rule 15c3-3	17
Reconciliation of the Computation of Net Capital Under Rule 15c3-1	18
Independent Auditor's Report on Internal Control	19



#### INDEPENDENT AUDITORS' REPORT

To the Board of Directors	 	 
<b>Liberty Capital Investment Corporation</b>		

We have audited the accompanying statement of financial condition of Liberty Capital Investment Corporation (the Company) as of December 31, 2007, and the related statements of income (loss), changes in ownership equity, and cash flows for the year then ended that you are filing pursuant to rule 17a-5 under the Securities Exchange Act of 1934. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Liberty Capital Investment Corporation at December 31, 2007, and the results of its operations and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in the supplemental section at pages 12 through 17 is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by rule 17a-5 under the Securities Exchange Act of 1934. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Beener, Smith, Munro & Co., LLP

February 20, 2008

-1-

# UNITED STATES SECURITIES AND EXCHANGE COMMISSION Washington, D.C. 20549

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SEC 1696 (02-03) 1 of 16

# Form **X-17A-5**

### **FOCUS REPORT**

(Financial and Operational Combined Uniform Single Report)
PART IIA 12

			(Plea	se read instructio	ns before p	reparing Form.)	
, , ,	X 16	eck Applicable 8	2) Rule 17a	` ===		3) Rule 17a-11 18 5) Other 26	
NAME OF BROKER-DEALER			<del>-</del>		<del></del>	SEC FILE NO.	
Liberty Capital Inv		<u> </u>			13	8-42051 FIRM I.D. NO. 25706	14
ADDRESS OF PRINCIPAL PLAI	CE OF BUSIN	ESS (Do Not Use	P.O. Box No.)			FOR PERIOD BEGINNING (MM/I	15
1800 SW 1st Aven		ite 150 o. and Street)			20	01/01/07	24
Portland	21	OR	22	97201	23	AND ENDING (MM/DD/YY)	
(City)		(State)		(Zip Code)		12/31/07	25
NAME AND TELEPHONE NUN	BER OF PER	RSON TO CONTA	CT IN REGAF	ID TO THIS REPORT		(Area Code) — Telephone N	0.
Gary F. Pu	rpura				30	503-225-9393	31
NAME(S) OF SUBSIDIARIES (	R AFFILIATE	S CONSOLIDATI	ED IN THIS R	EPORT:		OFFICIAL USE	101
· · · · · · · · · · · · · · · · · · ·				, <u>.</u> ,	[32]		33
					34		35
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Γ	<del></del> ]	DOES RESPO	NDENT CARR	Y ITS OWN CUSTOME	R ACCOUNTS	? YES 40 NO	X   41
				NT IS FILING AN AUDITI			X   42
		EXECUTION: The registra whom it is complete. I integral pa	ant/broker or executed rep t is understorts of this F	dealer submitting the resent hereby that all tood that all required form and that the su	is Form and i information ditems, statem bmission of	ts attachments and the perso contained therein is true, corr lents, and schedules are con any amendment represents , correct and complete as pre	n(s) by ect and sidered that all
		Dated the _ Manual sign	natures of:		day of	February 20 08	<u></u>
		2)		fficer or Managing Pa	artner		
		Principat 3)		ficer or Partner			
			•	Officer or Partner			
				nal misstatements or e 18 U.S.C. 1001 an		facts constitute Federal 8:f(a))	

control number.

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#### TO BE COMPLETED WITH THE ANNUAL AUDIT REPORT ONLY:

INDEPENDENT PUBLIC ACCOUNTANT whose opinion	is contained in this Rep	port				
NAME (If individual, state last, first, middle name)						
Beemer, Smith, Munro & Co., LLP			70			
ADDRESS	7					
10135 SE Sunnyside Rd #140	Clackar	mas 72	OR	73 )	97015	74
Number and Street	City		State		Zip Code	
CHECK ONE				-		
Certified Public Accountant	75		F	OR SEC USE		
Public Accountant	76					
Accountant not resident in United States or any of its possessions	77		<u></u>	<u> </u>		
of any of its possessions						
DO NO	T WRITE UNDER THIS	LINE FOR SEC US	E ONLY		<del></del>	
WORK LOCATION	REPORT DATE MM/DD/YY	DOC. SEQ. NO.	CARD			
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BROKER OR DEALER	LIBERTY CAPITAL INVESTMENT CORPORATION	N	3		100

### STATEMENT OF FINANCIAL CONDITION FOR NONCARRYING, NONCLEARING AND CERTAIN OTHER BROKERS OR DEALERS

				as n	f (MM/DD/YY)	12/31/07	7		99	í
				40 0	SEC FILE NO.		-8-	42051	98	l
								Consolidated	198	l
								Unconsolidated X	199	
			Allow	able	Non-A	<u>llowable</u>		<u>Total</u>		
1.	Cash	. \$	160,896	200			s	160,896	750	l
	Receivables from brokers or dealers:	-					-		1	ı
	A. Clearance account	<b>y</b>	48,966	295						
	8. Other		10,975	300 \$		550	_	59,941	810	
	Receivable from non-customers		-0-	355		600	7_	0-	830	l
4.	Securities and spot commodities									
	owned at market value:			1440						
	A. Exempted securities			418 419						
	C. Options	-		420						
	D. Other securities		178,930	424						
	E. Spot commodities	<u>, —</u>	110,000	430				178,930	850	١
5.	Securities and/or other investments	`								
	not readily marketable:									
	A. At cost 2 \$ 130					[222]	ì		860	ı
6	B. At estimated fair value			440		610	_ ا		1 000	
υ.	agreements and partners' individual and capital									
	securities accounts, at market value:			460		630	t		880	Ė
	A. Exempted	•		استنسا			-			
	securities \$ 150									
	B. Other									
7	securities \$ 160			470		640	1		890	ı
7.	Secured demand notes:		<u>-</u>	4/0		640	_	<u> </u>	090	ı
	A. Exempted									
	securities \$ 170									
	B. Other									
	securities \$ 180									
В.	Memberships in exchanges:									
	A. Owned, at									
	market \$ 190					0.00	ı			
	B. Owned, at cost					650	ı			
	C. Contributed for use of the company, at				,	r				
	market value			6.		660	١_		900	ı
9.	Investment in and receivables from affiliates,			<del></del>		<b></b>				1
	subsidiaries and associated partnerships	<u> </u>		480		670	١_		910	ļ
10.	Property, furniture, equipment, leasehold									
	improvements and rights under lease agreements,									
	at cost-net of accumulated depreciation and									
	amortization		-0-	490	14,153	680	7	14,153	920	İ
11.	Other assets	_	-0-	535	14,707	735	-	14,707	930	ı
2.		_	399,767	540 \$	28,860	740	\$_	428,627	940	ı
	•						=	OMIT F	PENNIES	

BROKER OR DEALER LIBERTY CAPITAL INVESTMENT CORPORATION

as of 12/31/07

### STATEMENT OF FINANCIAL CONDITION FOR NONCARRYING, NONCLEARING AND CERTAIN OTHER BROKERS OR DEALERS

#### **LIABILITIES AND OWNERSHIP EQUITY**

<u>Liabilities</u>		A.I. <u>Liabilities</u>		Non-A.I. <u>Liabilities</u>		Total	
13. Bank loans payable	\$		1045		1255 Y13 \$	1	1470
14. Payable to brokers or dealers:	<b>-</b>	<u></u>		· <del></del>			1 110
A. Clearance account			1114		1315		1560
B. Other	10		115		1305		1540
15. Payable to non-customers	_		155		1355		1610
16. Securities sold not yet purchased,				1	4250		[4000]
at market value				<del></del>	1360		1620
expenses and other		79,913	205	-0-	1385	79,913	1685
18. Notes and mortgages payable:							
A. Unsecured			210				1690
B. Secured			211 7,2		1390 74		1700
19. E. Liabilities subordinated to claims							
of general creditors: A. Cash borrowings:				1	1400		1710
1. from outsiders; \$ 970					1400]	_	11/10
2. includes equity subordination (15c3-1(d))							
of \$980							
B. Securities borrowings, at market value					1410		1720
from outsiders \$ 990							
C. Pursuant to secured demand note					4400		[4700]
collateral agreements					1420	_	1730
2. includes equity subordination (15c3-1(d))							
of \$							
D. Exchange memberships contributed for							
use of company, at market value					1430		1740
E. Accounts and other borrowings not							
qualified for net capital purposes			220		1440		1750
20. TOTAL LIABILITIES	\$	79,913 1	230 \$	-0-	1450 \$	79,913	1760
Qwnership Equity							
21. Sole Proprietorship					S		1770
21. Sole Proprietorship	<b>71 (\$</b>	[	020 )				1780
23. Corporation:	•	_	•				
A. Preferred stock							1791
B. Common stock						18,634	1792
C. Additional paid-in capital						10,116	1793
D. Retained earnings  E. Total	*************	***************************************	••••••••			319,964 348,714	1794 1795
F. Less capital stock in treasury	**************			······································	······································	<u> </u>	1795
24. TOTAL OWNERSHIP EQUITY						348,714	1800
25. TOTAL LIABILITIES AND OWNERSHIP EQUITY	, , ,				\$	428 627	1810

OMIT PENNIES

**BROKER OR DEALER** LIBERTY CAPITAL INVESTMENT CORPORATION

For the period (MMDDYY) from 201/01/07 3932 to	12/31/07	[3933]
Number of months included in this statement	12	3931

	STATEMENT OF INCOME (LOSS)			
R	EVENUE			
1.				
	Commissions on transactions in exchange listed equity securities executed on an exchange	\$		3935
	b. Commissions on listed option transactions	25		3938
	c. All other securities commissions		334,339	3939
	d. Total securities commissions		336,468	3940
2.	Gains or losses on firm securities trading accounts			
	a. From market making in options on a national securities exchange			3945
	b. From all other trading			3949
	c. Total gain (loss)			3950
3.	Gains or losses on firm securities investment accounts		10,196_	3952
4.	Profit (loss) from underwriting and selling groups	7 <sub>6</sub>		3955
5.	Revenue from sale of investment company shares		359,269	3970
6.	Commodities revenue			3990
7.	Fees for account supervision, investment advisory and administrative services		439	3975
8.	Other revenue		38,118	3995
9.	Total revenue	\$	744,490	4030
		=		
	(PENSES			
10	. Salaries and other employment costs for general partners and voting stockholder officers		303,308	4120
	. Other employee compensation and benefits		191,378	4115
	Commissions paid to other broker-dealers			4140
13	Interest expense			4075
	a. Includes interest on accounts subject to subordination agreements	]	3,30	
	Regulatory fees and expenses			4195
15	Other expenses		200,494	4100
16	- Total expenses	\$	695,180	4200
	TINCOME			
	Income (loss) before Federal income taxes and items below (Item 9 less Item 16)		49,310	4210
	Provision for Federal income taxes (for parent only)	28	6,613	4220
19	Equity in earnings (losses) of unconsolidated subsidiaries not included above			4222
	a. After Federal income taxes of			
20.	Extraordinary gains (losses)			4224
	a. After Federal income taxes of			
21.	Cumulative effect of changes in accounting principles			4225
22	Net income (loss) after Federal income taxes and extraordinary items	\$ <u></u>	42,697	4230
8,54	ONTHLY INCOME		<u> </u>	
			(2.006)	4044
23.	Income (current month only) before provision for Federal income taxes and extraordinary items	\$	(3,896 <u>)</u>	4211

BROKER OR DEALER

#### LIBERTY CAPITAL INVESTMENT CORPORATION

For the period (MMDDYY) from <u>01/01/07</u> to <u>12/31/07</u>

### STATEMENT OF CHANGES IN OWNERSHIP EQUITY (SOLE PROPRIETORSHIP, PARTNERSHIP OR CORPORATION)

	(SOLE PROPRIETORSHIP, PARTNERSHIP OR CORPORATION)		
1.	Balance, beginning of period  A. Net income (loss)  B. Additions (includes non-conforming capital of \$\frac{7}{29}\$\$ \\  C. Deductions (includes non-conforming capital of \$\frac{7}{29}\$\$ \\  4262)	\$ 347,217 42,697 41,200	4240 4250 4260 4270
2.	Balance, end of period (From item 1800)	\$ 348,714	4290
	STATEMENT OF CHANGES IN LIABILITIES SUBORDINATED TO CLAIMS OF GENERAL CREDITORS		
3.	Balance, beginning of period	\$ 	4300 4310 4320
4.	Balance, end of period (From item 3520)	\$ 	4330

**OMIT PENNIES** 

# Liberty Capital Investment Corporation STATEMENT OF CASH FLOWS For the Year Ended December 31, 2007

NET CASH FLOWS FROM OPERATING ACTIVITIES: Net income Noncash expenses, revenues, losses and gains included in net income:	\$ 42,697
Depreciation	2,173
Unrealized (gain) loss on investments	( 7,129)
(Gain) loss on sale of investments	7,827
(Gain) loss on sale of assets	
(Increase) decrease in:	
Mutual fund commission receivable	360
First Southwest receivable	(8,374)
Prepaid income tax	3,990
Prepaid expenses	( 646)
Increase (decrease) in:	,
Deferred taxes	( 697)
Accounts payable	1,502
Accrued liabilities	11,324
Accrued income tax	<u>8,586</u>
Net Cash Provided from Operating Activities	61,613
CASH FLOWS FROM INVESTING ACTIVITIES:  Cash outflows for purchase of fixed assets	( 5,208)
Cash outflows for purchase of investments	(23,089)
Proceeds from sale of investments	25,418
Net Cash Provided from Investing Activities	( 2,879)
CASH FLOWS FROM FINANCING ACTIVITIES	(41.200)
Dividends paid	(41,200)
Proceeds from stock issuance	
Net Cash Used in Financing Activities	(41,200)
Net Increase (Decrease) in Cash and Cash Equivalents	17,534
CASH AND CASH EQUIVALENTS, beginning of year	143,362
CASH AND CASH EQUIVALENTS, end of year	\$ <u>160,896</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION: Cash paid during the year for:	
Income taxes	\$ <u>973</u>
-8-	* <del></del>

### LIBERTY CAPITAL INVESTMENT CORPORATION Portland, Oregon

### Notes to Financial Statements December 31, 2007

#### NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### General

Liberty Capital Investment Corporation was incorporated on October 1, 1989 in Oregon. The Company is a broker-dealer registered with the SEC and is a member of the National Association of Securities Dealers (NASD).

#### Revenue Recognition

Proprietary securities transactions in regular-way trades are recorded on the trade date, as if they had settled. Profit and loss arising from all securities and commodities transactions entered into for the account and risk of the Company are recorded on a trade date basis. Customers' securities and commodities transactions are reported on a settlement date basis with related commission income and expenses reported on a trade date basis.

Amounts receivable and payable for securities transactions that have not reached their contractual settlement date are recorded net on the statement of financial condition.

Commissions and related clearing expenses are recorded on a trade-date basis as securities transactions occur.

#### **Investments**

Marketable securities are valued at market value. The resulting difference between cost and market is included in income.

#### Fixed Assets

Depreciation is provided on a straight-line basis using estimated useful lives of five to ten years.

#### Cash and Cash Equivalents

For purposes of the statement of cash flows, cash includes cash on hand, cash in banks and cash equivalents. Cash equivalents include all highly liquid investment instruments purchased with a maturity of three months or less.

The Company uses the indirect method of reporting cash flows.

#### **Deferred Income Taxes**

Deferred income taxes are provided when income and expenses, principally relating to the valuation of investment securities and differences in depreciation methods for book and tax, are recognized in different years for financial and tax reporting purposes.

#### Advertising

Advertising costs are generally charged to operations in the year incurred and totaled \$900 in 2007.

#### **Use of Accounting Estimates**

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires that management make estimates and assumptions which affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### NOTE B: RECEIVABLE FROM BROKERS, DEALERS AND CLEARING ORGANIZATION

Accounts receivable from brokers, dealers and clearing organization result from the Company's normal trading activities. The Company considers all accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is required.

#### NOTE C: INVESTMENT SECURITIES

Marketable securities owned at December 31, 2007 consist of investment securities at quoted market values.

Readily marketable (allowable):

Corporate stocks \$112,590 Stock and bond mutual funds \_\_66,340

\$<u>178,930</u>

#### NOTE D: FIXED ASSETS

Fixed assets include property and equipment. Useful lives of equipment range from 5 to 10 years. At December 31, 2007, fixed assets consist of:

	2007
Furniture and fixtures	\$ 21,811
Leasehold improvements	<u>1,530</u> 23,341
Less: Accumulated depreciation	(_9,188)
	\$ <u>14.153</u>

Depreciation expense was \$2,173 for the year ended December 31, 2007.

#### NOTE E: CAPITAL STOCK

Capital stock at December 31, 2007 consists of:

20,000 shares of no par value common stock authorized, 10,300 issued and outstanding.

\$\_18,634

#### NOTE F: INCOME TAXES

The components of the provision for corporate income tax are as follows:

	Current	<u>Deferred</u>	<u>Total</u>
Federal State and local	\$ 7,097 <u>6,452</u>	\$( 484) ( 213)	\$ 6,613 <u>6,239</u>
Total Provision	\$ <u>13,549</u>	\$ <u>(_697</u> )	\$ <u>12,852</u>

Net deferred tax assets (liability) as of December 31, 2007 consist of the following:

	<u>Assets</u>	<u>Liabilities</u>	<u>Total</u>
Current: Federal State	\$  	\$ 1,069 <u>471</u> <u>1,540</u>	\$(1,069) (_471) (1,540)
Noncurrent: Federal	\$	\$ 1,902	\$(1,902)
State	_ <del></del>	$\frac{837}{2,739}$	( <u>837)</u> ( <u>2,739</u> )
Total	\$ <u></u>	\$ <u>4,279</u>	\$ <u>(4,279</u> )

#### NOTE G: NET CAPITAL REQUIREMENTS

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (Rule 15c3-1), which requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital shall not exceed 15 to 1. At December 31, 2007, the Company had net capital of \$289,791, which was \$284,463 in excess of its required net capital of \$5,328. The Company's net capital ratio was .276 to 1.

#### NOTE H: RETIREMENT PLAN

The Company maintains a Savings Incentive Match Plan for Employees (SIMPLE-IRA) in which all employees receiving at least \$5,000 during any prior year are eligible to participate. Employees can elect to defer up to \$10,500 (\$13,000 if age 50 or older). The company must match dollar-for-dollar the employee elective deferrals up to 3% of wages or contribute 2% of wages up to \$4,500 for all employees. The contribution made for the year ended December 31, 2007 was \$8,365.

#### NOTE I: STOCKHOLDERS' AGREEMENT

The stockholders of the Company have an agreement stipulating, among other things, the terms under which the Company's stock can be sold or transferred. The agreement provides that a stockholder intending to dispose of an interest in the Company must first offer his stock to the other stockholders at a price determined in accordance with the agreement. Any shares not purchased by the remaining stockholders will be purchased by the Company. The agreement also provides that the other stockholders may redeem the shares owned by a stockholder upon death or disability.

#### NOTE J: LEASE COMMITMENTS

The Company entered into a lease agreement effective July 1, 2006 for lease of office space and parking. The agreement called for monthly payments of \$3,375.00 for office space until July 1, 2007, when it increased to \$3,476.25. The rent will be free for July and August 2008, increasing to \$3,581.25 for September through June 2009. The rent for July and August 2009 will be free, increasing to \$3,686.25 for September through June 2010. Rent for July and August 2010 will again be free, increasing to \$3,789.75 for the remainder of the lease. Parking is at the current market rate, which is currently \$164 per parking space. The agreement expires June 30, 2011.

The future lease commitments are summarized as follows:

	Lease
<u>Year</u>	Commitment
2008	\$ 35,183
2009	36,233
2010	37,277
2011	22,739
	\$131,432

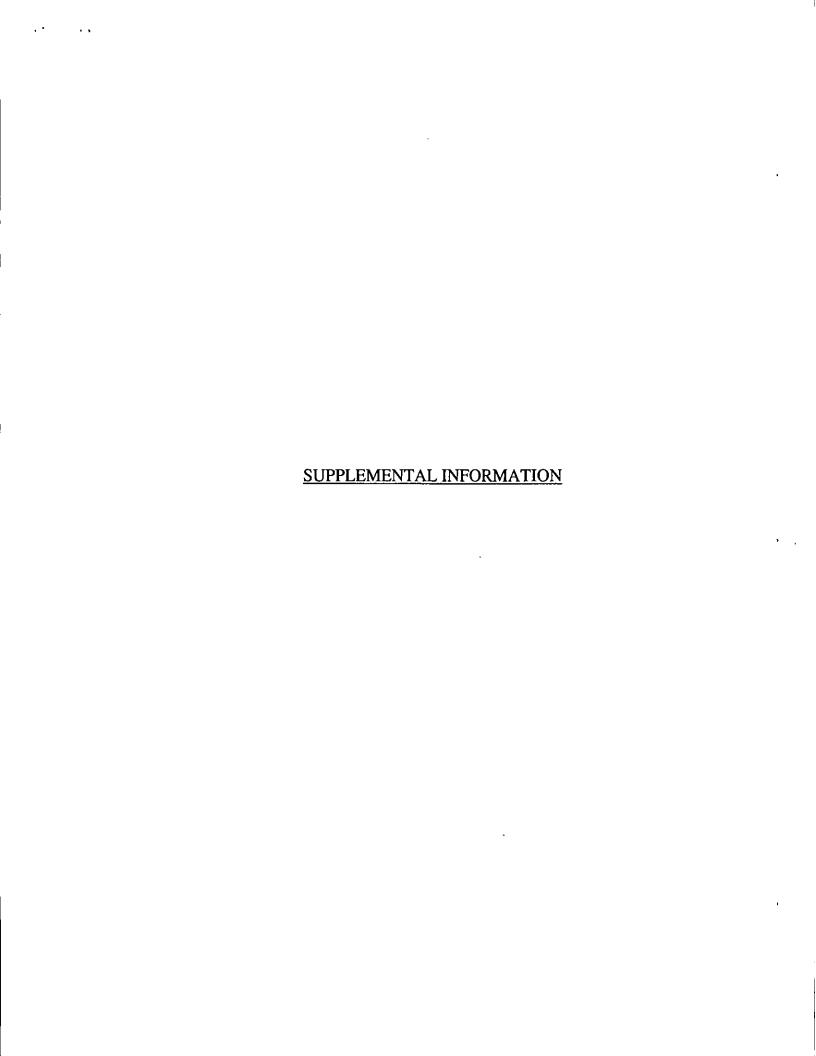
Total rent expense including parking for 2007 was \$42,379.

#### NOTE K: CONCENTRATIONS OF CREDIT RISK

The Company has cash and money market fund deposits at financial institutions in excess of the Federally insured limits. The amount at risk at December 31, 2007 is \$79,992. The Company does business primarily in Portland, Oregon and surrounding metropolitan area.

#### NOTE L: STOCK PURCHASE AGREEMENT

During 2007, the Company hired a new stockbroker. As part of the employment agreement, the employee has the option to purchase 250 shares of the Company's stock on his first and second anniversary.



BROKER OR DEALER	LIBERTY CAPITAL INVESTMENT CORPORATION	as of <u>12/31/07</u>
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#### **COMPUTATION OF NET CAPITAL**

1.	Total ownership equity from Statement of Financial Condition	\$	348,714	3480
2.	Deduct ownership equity not allowable for Net Capital	T. (		) 3490
3.	Total ownership equity qualified for Net Capital		348,714	3500
4.		_		
	A. Liabilities subordinated to claims of general creditors allowable in computation of net capital			3520
	B. Other (deductions) or allowable credits (List)			3525
5.	Total capital and allowable subordinated liabilities	s -	348.714	3530
6.	· ·	· –	<del></del>	
	A. Total non-allowable assets from			
	Statement of Financial Condition (Notes B and C) 77.\$ 28,860 3540			
	B. Secured demand note delinquency			
	C. Commodity futures contracts and spot commodities –	•		
	proprietary capital charges 3600	1		
	proprietary capital charges 3500  D. Other deductions and/or charges 3610	( .	28,860	) 3620
7.	Other additions and/or allowable credits (List)			3630
8.	Other additions and/or allowable credits (List)	<sup>7</sup> 20 \$	319,854	3640
9.	Haircuts on securities (computed, where applicable, pursuant to 15c3-1(f)):	_		
	A. Contractual securities commitments 3660			
	B. Subordinated securities borrowings			
	C. Trading and investment securities:	•		
	1. Exempted securities	1		
	2. Debt securities			
	3. Options			
	4. Other securities			
	D. Undue Concentration			
	E. Other (List) 3736	(_	30,063	) 3740
			200 704	
10.	Net Capital	\$_	289,791	3750

**OMIT PENNIES** 

**BROKER OR DEALER** 

#### LIBERTY CAPITAL INVESTMENT CORPORATION

as of 12/31/07

#### **COMPUTATION OF NET CAPITAL REQUIREMENT**

#### Part A

11. Minimum net capital required (67/3% of line 19)	\$_	5,328	3756
12. Minimum dollar net capital requirement of reporting broker or dealer and minimum net capital requirement of subsidiaries computed in accordance with Note (A)	\$	5,000	3758
13. Net capital requirement (greater of line 11 or 12)	\$	5,328	3760
14. Excess net capital (line 10 less 13)	\$_	284,463	3770
15. Excess net capital at 1000% (line 10 less 10% of line 19)	2 <b>\$</b>	281,800	3780

#### COMPUTATION OF AGGREGATE INDERTEDNESS

COM CIATION OF AGGILLARIE INDEDICEDIES			
16. Total A.I. liabilities from Statement of Financial Condition	\$_	79,913	3790
A. Drafts for immediate credit			
Market value of securities borrowed for which no equivalent value is paid or credited			
C. Other unrecorded amounts (List) \$ 3820	\$_		3830
18. Total aggregate indebtedness	\$	79,913	3840
19. Percentage of aggregate indebtedness to net capital (line 18 + by line 10)	%	27.6	3850
20. Percentage of debt to debt-equity total computed in accordance with Rule 15c3-1(d)	%		3860

#### COMPUTATION OF ALTERNATE NET CAPITAL REQUIREMENT

#### Part B

<ul> <li>21. 2% of combined aggregate debit items as shown in Formula for Reserve Requirements pursuant to Rule 15c3-3 prepared as of the date of the net capital computation including both brokers or deafers and consolidated subsidiaries' debits</li> <li>22. Minimum dollar net capital requirement of reporting broker or deafer and minimum net capital requirement of</li> </ul>	<b>\$</b> _	3970
subsidiarles computed in accordance with Note (A)	23\$_	3880 3760
24. Excess capital (line 10 less 23)	\$_	3910
25. Net capital in excess of the greater of:  A. 5% of combined aggregate debit items or \$120,000	\$_	3920

#### NOTES:

- (A) The minimum net capital requirement should be computed by adding the minimum dollar net capital requirement of the reporting broker dealer and, for each subsidiary to be consolidated, the greater of:
  - 1. Minimum dollar net capital requirement, or
  - 2.  $6\frac{2}{3}$ % of aggregate indebtedness or 4% of aggregate debits if alternative method is used.
- (B) Do not deduct the value of securities borrowed under subordination agreements or secured demand note covered by subordination agreements not in satisfactory form and the market values of memberships in exchanges contributed for use of company (contra to item 1740) and partners' securities which were included in non-allowable assets.
- (C) For reports filed pursuant to paragraph (d) of Rule 17a-5, respondent should provide a list of material non-allowable assets.

BROKER OR DEALER	LIBERTY CAPITAL INVESTMENT CORPORATION	as of	12/31/07
<u> </u>	EXEMPTIVE PROVISION UNDER RULE 15c3-3		
24. If an exemption from Ru	ole 15c3-1 is claimed, identify below the section upon which such exemption is based (check one or	nly)	
A. (k)(1) — \$2,500 c	apital category as per Rule 15c3-1		4550
	al Account for the Exclusive Benefit of customers" maintained		4560
C. (k)(2)(B) — All cus	tomer transactions cleared through another broker-dealer on a fully disclosed basis.		
Name of clearing fi	որչ First Southwest Company 8-001523	4335	4570
D. (k)(3) — Exempted	by order of the Commission (include copy of letter)		4580

Ownership Equity and Subordinated Liabilities maturing or proposed to be withdrawn within the next six months and accruals, (as defined below), which have not been deducted in the computation of Net Capital.

	Type of Proposed Withdrawal or Accrual (See below for code )	Name of Lender or Contributor	Insider or Outsider? (In or Out)	Amount to be Withdrawn (cash amount and/or Net Capital Value of Securities)		(MMDDYY) Withdrawal or Maturity Date	Expect to Renew (Yes or No)
31	[4600]	4601	4602		4603	4604	4605
32	4610	4611	4612		4613	4614	4615
33	4620	4621	4622		4623	4624	4625
34	4630	4631]	4632		4633	4634	4635
35	4640	4641]	4642		4643	4644	4645
			Total <u>\$ 3</u>	5	4699		

OMIT PENNIES

Instructions: Detail Listing must include the total of items maturing during the six month period following the report date, regardless of whether or not the capital contribution is expected to be renewed. The schedule must also include proposed capital withdrawals scheduled within the six month period following the report date including the proposed redemption of stock and anticipated accruals which would cause a reduction of Net Capital. These anticipated accruals would include amounts of bonuses, partners' drawing accounts, taxes, and interest on capital, voluntary contributions to pension or profit sharing plans, etc., which have not been deducted in the computation of Net Capital, but which you anticipate will be paid within the next six months.

WITHDRAWAL CODE:

DESCRIPTIONS

1.

Equity Capital

2.

Subordinated Liabilities

. Accruals

#### **Liberty Capital Investment Corporation**

Reconciliation of the Computation of Net Capital Under Rule 15c3-1 As of December 31, 2007

### RECONCILIATION WITH COMPANY'S COMPUTATION (included in Part II of Form X-17A-5 as of December 31, 2007)

Total ownership equity from statement of Financial Condition,	
as reported in Company's Part II FOCUS report (Unaudited)	\$ 348,30 <del>9</del>
Change in cash	100,347
Change in receivables from brokers or dealers	10,975
Change in receivables from non-customers	( 10,975)
Change in market value of other securities	(100,393)
Change in cost of investments not readily marketable	
Change in other assets	( 3,546)
Change in fixed assets and accumulated depreciation	
(non-allowable assets)	2,517
Change in accounts payable, accrued liabilities,	
expenses and other	1,480
Total ownership equity per audit	\$ <u>348,714</u>
Net capital, as reported in Company's Part II FOCUS report (Unaudited)	\$ 290,845
Audit adjustments to decrease accrued expenses	(1,480)
(Increase) decrease in non-allowable assets	1,029
(Increase) decrease in haircuts on securities	864
Undue concentration haircut	(1,624)
Other audit adjustments - net	<u> 157</u>
Net capital per audit	\$ <u>289,791</u>



#### The Board of Directors **Liberty Capital Investment Corporation**

In planning and performing our audit of the financial statements and supplemental schedules of Liberty Capital Investment Corporation (the Company), as of and for the year ended December 31, 2007, in accordance with U.S. generally accepted auditing standards, we considered the Company's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

Also, as required by rule 17a-5(g)(1) of the Securities Exchange Commission (SEC), we have made a study of the practices and procedures followed by the Company including consideration of control activities for safeguarding securities. The study included tests of such practices and procedures that we considered relevant to the objectives stated in rule 17a-5(g) in making the periodic computations of aggregate indebtedness (or aggregate debits) and net capital under rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of rule 15c3-3. Because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities, we did not review the practices and procedures followed by the Company in any of the following:

- Making quarterly securities examinations, counts, verifications, and comparisons, and the recordation of differences required by rule 17a-13
- 2. Complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System

The management of the Company is responsible for establishing and maintaining internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls, and of the practices and procedures referred to in the preceding paragraph, and to assess whether those practices and procedures can be expected to achieve the SEC's above-mentioned

10135 SE Sunnyside Road Suite 140 Clackamas, OR 97015

Phone: 503-656-6900 Toll Free: 866-341-2800 Fax: 503-656-6910 objectives. Two of the objectives of internal control and the practices and procedures are to provide management with reasonable but not absolute assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in conformity with U.S. generally accepted accounting principles. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in internal control and the practices and procedures referred to above, error or fraud may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first and second paragraphs would not necessarily identify all deficiencies in internal control that might be material weaknesses. We did not identify any deficiencies in internal control and control activities for safeguarding securities that we consider to be material weaknesses, as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures, as described in the second paragraph of this report, were adequate at December 31, 2007, to meet the SEC's objectives.

This report is intended solely for the information and use of the Board of Directors, management, the SEC, NASD, and other regulatory agencies that rely on rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers, and is not intended to be and should not be used by anyone other than these specified parties.

Beener, Smith, Muno & Ca, LLP

Beemer, Smith, Munro & Co., LLP February 20, 2008

END